The financial meltdown led some folks - including the president - to opine that the little guy has sure taken it in the shorts these last few years, and that government must do more to protect consumers.

Enter Congressman Barney Frank, chairman of the House Financial Services Committee, with his proposed Consumer Financial Protection Agency Act of 2009, which would create an independent agency “to protect consumers against unfair practices by financial services companies.”

It turns out that car dealers do a good bit of financing. Now enter **Rep. John Campbell, R-Irvine**, a former car dealer who is not a big fan of the proposed agency. Campbell will offer an amendment to Frank’s bill, exempting auto dealers from its potentially-weighty thumb. The essential argument is that they’ve had their worst year in decades, they’ve lost 100,000-or-so jobs, and they shouldn’t be kicked while they’re down.

To which a chorus of nearly 40 consumer groups says, “Fie!”

“When you look at state and local consumer agencies on the front lines, auto sales and service is always the No. 1 problem people complain about, year after year after year,” said Rosemary Shahan, president of California’s Consumers for Auto Reliability and Safety. “Everyone and their brother wants an exemption, so car dealers aren’t alone. The question is, are they going to get away with it?”

WE’RE ALREADY REGULATED ENOUGH, DEALERS SAY

A letter from the National Independent Automobile Dealers Association supporting Campbell’s amendment (niada-letter-to-frank) says the bill “would subject auto dealers to a myriad of new regulations…at a time when the automobile industry is having its toughest times in over two decades.

“Motor vehicle sales are already extensively regulated by the Federal Reserve Board the FTC (Federal Trade Commission) and in all fifty states,” the letter reads. “In light of the current credit crisis and the lowest auto sales in a generation, a dramatic restructuring of the laws governing auto finance would create uncertainties, unintended consequences, and increase consumer costs that could further depress sales.”

Campbell has posted on his web site an article from The National Review, arguing that the new agency would hike the cost of credit for consumers. “The ostensible purpose of the new agency would be to protect borrowers from unscrupulous lenders, but - since fraud and deception already are against the law - it would be more accurate to say that its purpose would be to protect borrowers from themselves,” says the piece.

“Even though it was mortgage defaults that caused the crisis, the CFPA would have the power to regulate all sorts of financial products, from credit cards to car loans to bill-me-later shopping. The agency ‘could literally wind up having federal approval required every time your local mattress store says come in and buy a mattress, no payments for 90 days,’ explains Rep. John Campbell, a California Republican who sits on the House Financial Services Committee. ‘The reach that agency could have, the effect that could have on innovation, could be terrible.’”

Brent Hall, Campbell’s press guy, stresses that most deals made through dealerships are done through third-party loans. “If these dealers were subjected to CFPA, ostensibly they could be regulated in terms of how they market and advertise, how their showroom is designed, and theoretically they could even have their prices regulated,” Hall said in an email. “Auto dealers are already and will continue to be regulated by the States, the Federal Reserve Board, and the Federal Trade Commission under this amendment.”

OH, PUH-LEASE, CONSUMER GROUPS SAY

Frank is up-front about the agency’s long reach - which he and others think is sorely needed.

“The proposed legislation is part of comprehensive financial regulatory reform undertaken by the House Financial Services Committee this year, including bills to restrict subprime lending and to stop deceptive practices by credit card companies,” Frank says on his web site. “Existing institutions have failed to protect consumers against abusive practices…. Although Congress gave the Federal Reserveauthority to oversee mortgage lending in 1994, the Fed failed to use that power during the boom in subprime lending which was a major cause of the financial crisis."

A recent letter from consumer groups strongly urges Frank "to ensure that all activities of auto dealers related to the financing of cars are fully included under the jurisdiction of the Consumer Financial Protection Agency."

"Loan financing represents a huge source of income for auto dealers," says the letter, signed by Consumer Watchdog, Consumers Union, the California Public Interest Group, the NAACP, and many others. "While the vehicles themselves have never been better, auto sales and financing practices have never been worse. In fact, year after year, auto sales and service complaints, typically related to predatory lending practices at dealerships, rank number 1 among consumer complaints lodged with state and local consumer protection agencies.

"Since motor vehicles are the second-largest purchase most consumers make, and the average price of a new car is now more than $28,000, relatively few car buyers can afford to pay cash. As a result, most moderate and low income consumers are vulnerable to predatory auto lending. Young people purchasing their first autos and members of the Armed Forces are particularly vulnerable, sometimes suffering losses that damage their credit and have a negative impact that lasts for decades….

"Consumers desperately need federal protection from ubiquitous predatory auto lending practices and multi-billion dollar auto sales frauds. Because dealers are selling both the car and the financing at the same time, often in addition to taking a trade-in with an outstanding lien balance, it is impossible for consumers, or regulators, to separate the two transactions. This causes a lack of transparency and a complexity that hamper consumers from being able to protect themselves."